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United States Department of State

Washington, D.C. 20520

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[redacted]  
Director, Intelligence Community Staff  
1724 F Street, N.W.  
Washington, D.C. 20505

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Dear [redacted]

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I would like to bring you up to date on our efforts to implement the Foreign Missions Act of 1982 and on the evolution of our staffing and budgetary requirements.

When the Office of Foreign Missions (OFM) was established early in 1983, it was staffed with three State officers, two State secretaries, one representative each from CIA, FBI, NSA, Army, Navy, Air Force, Customs and five BDM Corporation employees. That staff was sufficient to manage OFM's travel service, review real property acquisition requests by foreign missions and to handle selected reciprocity problems in the customs area. When the Office of Foreign Missions was established, it was generally believed that most of the work of implementing the Foreign Missions Act could be done on an ad hoc case-by-case basis. As we gained experience with this legislation, however, it became apparent that in order to establish adequate controls on foreign mission personnel in the United States, both for reasons of reciprocity and national security, OFM would have to institute numerous new programs. It also became apparent that to enforce OFM's controls and to maximize for the Intelligence Community the kind of data regarding foreign missions personnel we were able to gather, OFM had to make a substantial investment in the development of a sophisticated data base management system accessible to the foreign affairs and national security communities.

Our staff and budget have increased commensurately with this workload expansion. The State position complement now numbers 17. Other agency expansion has increased to 13. The contract work force has increased to 35 BDM employees plus four additional consultants. The new programs now in place include:

A. Motor Vehicle Controls

OFM registers, titles and provides license plates for all diplomatic vehicles in the United States. It imposes

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reciprocal costs and restrictions similar to those our personnel encounter abroad. It issues unique license plates designed in conjunction with the FBI. Its automated motor vehicle registration file is available to both TECS and NLETS users. OFM approves the issuance of drivers' licenses by local jurisdictions and reviews traffic violations of diplomats. OFM provides one State officer and one secretary, 11 BDM employees and one expert consultant for this program.

B. Property Renovations

OFM controls real estate ownership by Iran, Cambodia and Vietnam in the United States. It has renovated and is now renting the bulk of these properties

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C. Taxes

OFM now issues sales tax exemption cards to those diplomats and individuals eligible on reciprocity grounds to receive them. This program replaces programs previously operated by the Department's Office of Protocol and by jurisdictions in which diplomats reside outside the Washington metropolitan area. This program gives the Department new leverage to reduce our tax bills abroad and, as importantly, gives us updated, full color photographs of all card applicants. The tax card program is supervised by one State officer; two other State positions and six BDM employees are devoted to this effort.

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D. Accreditation

Largely because of the Kostadinov espionage case, the Department has asked me to play a direct role in the accreditation process. The Under Secretary for Management has asked me to chair an Accreditation Review Panel. We are actively engaged in clarifying just who has diplomatic status in this country, and we are substantially reducing the number of individuals entitled to some form of diplomatic immunity. We have also established more stringent criteria other countries must meet in order to be permitted to open new

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diplomatic or consular establishments. The work of this Panel occupies a substantial portion of my time and that of our legal counsel. Three BDM systems analysts are working full time to develop a comprehensive accreditation data base. This system, when developed, will be extremely valuable to the Intelligence Community and will serve as the core data base essential to OFM's other information systems.

E. Construction

In order to meet both our reciprocity and national security concerns with respect to the construction by certain missions of buildings in the United States, OFM has established a construction unit. We are now negotiating with the PRC to construct a multipurpose building and swimming pool at its chancery site. We are also working with the PRC to locate and renovate office and residential space for its Consulate in Chicago. We are working out an arrangement with the Cuban Interest Section to replace its Consulate building in Washington. We have informed the Soviets that OFM will handle all procurement and all contracting in connection with the completion of their Mt. Alto complex. It is our intention to expand this program to cover all missions of countries which require the USG to use state construction services for our building projects overseas. Currently, one contractor and two cover FBI detailees handle this program, but it should expand quickly.

F. Housing Services

OFM now locates and assigns housing to all members of the Cuban Interest Section. Beginning this month, we will assume this responsibility for all Bulgarian housing. A month thereafter, we will extend this service to cover all leased Soviet housing. Under this program, OFM works closely with the FBI and other agencies to preselect suitable quarters and maintains ongoing communications with our embassies to make sure that we emulate the quality and timeliness of services they receive. With the Bulgarians and Soviets, OFM will actually lease residences from landlords and sublet them to mission employees to give us the kind of control over the leases and residences that we need. We are now consulting with our embassy in Managua, and our intention is to extend this program to Nicaraguan diplomats later this summer. Two State positions and two BDM employees are now devoted to this effort and several of our FBI detailees devote substantial time to it.

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G. Customs

OFM has assumed responsibility from State's Office of Protocol for the clearance of all diplomatic cargo shipped to and from the United States, and for clearing foreign official ships calling on U.S. ports. One customs detailee, three State employees and one BDM employee are devoted to this program. Two BDM systems analysts devote substantial portions of their time to the development of the customs information management system. This program gives the Department and the Intelligence Community the opportunity to exert controls over the movement and inspection of this cargo in the interest of both reciprocity and national security. The automated data base we develop should also give us new insights into the volumes of imports and exports by selected missions, and the kinds of items being brought in and sent out. The program has already had a beneficial impact on the customs clearance services we receive in certain countries.

In addition to the 12 State positions that are associated with these programs, five others provide over-all policy direction and administrative support.

Another subject to which we have devoted and will continue to devote substantial portions of staff time involves the land use aspects of diplomatic communications. This activity arises out of our responsibility to assist missions in complying with local zoning codes. Our objective in the process of assisting missions with their telecommunications problems in the United States are (A) to learn as much about those systems as we can and (B) to enhance the ability of our agencies to establish and maintain telecommunications systems abroad. A second area that is occupying our attention and time concerns the banking operations of foreign missions in the United States. We plan to establish a unit to control and monitor bank accounts of selected foreign missions both to meet our reciprocity concerns and to provide us with more information concerning the use of those accounts. A third new workload we plan to assume concerns mediation of disputes between foreign mission personnel and U.S. firms and persons. These disputes, which often involve landlord-tenant issues, bad checks and other problems of indebtedness, will give us unique access to individual foreign officials.

We currently believe that our total FY-86 funding needs will be approximately \$3.6 million. As noted above, our FY-87 budget projection is approximately \$4.7 million. This will

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allow us to handle an increased workload in the Construction and Property Leasing programs, and to create Banking and Mediation programs. The FY-87 Budget request will also contain a number of new State positions to permit the gradual replacement of BDM contract staff with USG employees in those programs that have become well-established.

In summary, OFM has experienced a remarkable expansion in the last 2 1/2 years which would have been difficult to predict when the Foreign Missions Act was passed. I believe that the joint staffing and funding arrangements established at the outset continue to be the soundest approach to implementing the Act in ways that best meet the needs of all interested agencies. I can confirm on the basis of our experience that our initial judgment that each major OFM program activity contained both reciprocity and intelligence potential has proved to be correct. I, therefore, recommend that the State-Intelligence Community cooperative approach be continued. In day-to-day financial management terms, however, it has proven difficult for the State Comptroller's Office and the Intelligence Community Staff to stay in 50:50 lockstep. This fiscal year, for example, State, responding to our financial needs during this expansionary period, has given me some \$170,000 more than its 50 percent share of our initial FY-85 budget level. For the same reason, our FY-86 State level is now \$249,000 higher than that contained for us in the Intelligence Community Staff's FY-86 budget. We believe that our FY-86 financial plan will request an additional \$100,000 from State, making the FY-86 disparity even greater. If "matching" by the Intelligence Community Staff of State's increased contribution to OFM's operating funds is not done, the expansion plans I've described for our programs might take longer to accomplish. I do not think it critical that we maintain a precise 50:50 split on actual dollar amounts but do believe it will be useful to continue to maintain equal budget request figures, and to match, to the extent possible, any adjustments made by one contributor or another during the fiscal year.

All in all, I believe we have been successful thus far. National Security agencies have a stronger voice than ever in such things as travel and land acquisitions of certain foreign personnel and missions. We have made diplomatic drivers more visible and traceable. Our construction services to foreign embassies is of obvious intelligence value. On the reciprocity side, we have eliminated the VAT tax in a number of countries, restored telephone service to a number of our residences

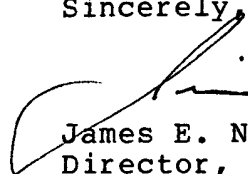
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abroad, eliminated vehicle registration charges, improved the USG's ability to acquire real estate, and broken through some troublesome customs clearance delays. Perhaps more importantly, OFM's creation has permitted us to build a strong interagency team approach to the implementation of the Foreign Missions Act. I believe it is vital for us to continue this cooperative joint venture, so that all appropriate interests are served.

Sincerely,

A handwritten signature in dark ink, appearing to read 'James E. Nolan, Jr.', with a large, sweeping initial 'J'.

James E. Nolan, Jr.  
Director, Office of  
Foreign Missions